



**BellSouth Telecommunications, Inc.**

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EXECUTIVE SECRETARY

**Guy M. Hicks**  
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VIA HAND DELIVERY

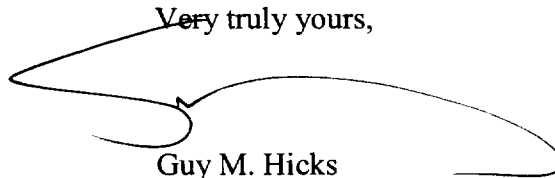
David Waddell, Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37238

Re: *All Telephone Companies Tariff Filings Regarding Reclassification Of Pay  
Telephone Service As Required By Federal Communications Commission (FCC)  
Docket 96-128  
Docket No. 97-00409*

Dear Mr. Waddell:

Enclosed are the original and thirteen copies of the Supplemental Rebuttal Testimony of D. Daonne Caldwell on behalf of BellSouth Telecommunications, Inc. Copies of the enclosed are being provided to counsel of record for all parties.

Very truly yours,



Guy M. Hicks

GMH:ch  
Enclosure

1                               **BELLSOUTH TELECOMMUNICATIONS, INC.**  
2                   **SUPPLEMENTAL REBUTTAL TESTIMONY OF D. DAONNE CALDWELL**  
3                   **BEFORE THE TENNESSEE REGULATORY AUTHORITY**  
4                               **DOCKET NO. 97-00409**  
5                               **OCTOBER 20, 2000**

6  
7   **Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.**

8  
9   A. My name is D. Daonne Caldwell. My business address is 675 W. Peachtree St., N.E.,  
10   Atlanta, Georgia. I am a Director in the Finance Department of BellSouth  
11   Telecommunications, Inc. (hereinafter referred to as "BellSouth"). My area of responsibility  
12   relates to the development of economic costs.

13  
14   **Q. ARE YOU THE SAME D. DAONNE CALDWELL THAT FILED DIRECT AND**  
15   **REBUTTAL TESTIMONY IN THIS DOCKET?**

16  
17   A. Yes. I filed direct testimony on September 15, 2000 and rebuttal testimony on October 6,  
18   2000.

19  
20   **Q. WHY ARE YOU FILING THIS TESTIMONY?**

21  
22   A. I am filing this testimony pursuant to the Pre-Hearing Officers quote "order reflecting rulings  
23   rendered during October 10, 2000 Pre-Hearing Conference," which allowed supplemental  
24   rebuttal testimony with respect to the October 13 production of BellSouth. That production  
25   involved supplemental responses to the Tennessee Payphone Owners Associations

1 supplemental discovery requests 1-10, and the production of BellSouth TELRIC Calculator<sup>®</sup>

2  
3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4  
5 A. The purpose of my testimony is to present BellSouth's position in regard to the use of the  
6 Shared and Common module found in the TELRIC Calculator which was filed in Exhibit  
7 DDC-1 in my direct testimony. I will discuss why it is inappropriate to utilize the data  
8 contained on the computer disk for shared and common cost calculations. Even more  
9 importantly, I will explain why it is inappropriate to dictate a set mark-up for overheads, i.e.,  
10 shared and common costs for services.

11  
12 **Q. WAS THE SHARED AND COMMON MODULE CONTAINED IN EXHIBIT DDC-1**  
13 **OF YOUR DIRECT TESTIMONY POPULATED?**

14  
15 A. Yes. The values found in the Shared and Common module reflect those originally filed by  
16 BellSouth in Docket No. 97-01262, the generic cost docket opened to establish rate for  
17 unbundled network elements. However, inclusion of data in this module should not be  
18 construed as an endorsement of those values for use in this docket.

19  
20 **Q. PLEASE PROVIDE A BRIEF EXPLANATION OF THE METHODOLOGY USED**  
21 **TO DERIVE THE SHARED AND COMMON FACTORS FILED IN DOCKET NO.**  
22 **97-01262.**

23  
24  
25 \_\_\_\_\_  
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1 A. BellSouth's shared and common methodology split BellSouth's total forward-looking cost of  
2 business between its wholesale and retail functions. Specifically, this methodology identified  
3 three major categories of wholesale costs: 1) wholesale direct costs; 2) the portion of shared  
4 costs attributed to wholesale; and 3) a reasonable portion of common costs applicable to  
5 wholesale operations. It was necessary to also split category (1) above between those  
6 wholesale costs that are related to recurring investment related transactions (related to  
7 unbundled network elements) and those that are related to "other wholesale" transactions,  
8 such as non-recurring (e.g., service order activities) or special purpose transactions (e.g.,  
9 operator services). Let me emphasize that the underlying premise was to partition costs  
10 between wholesale (unbundled network elements) and retail (services) and reflect the  
11 wholesale costs in the study. This is not the case here. Payphone services are just that, retail  
12 services not wholesale unbundled network elements. Any attempt to utilize the methodology  
13 and data supplied with Exhibit DDC-1 of my direct testimony would be inappropriate.

14  
15 **Q. IF ONE WERE TO ADJUST THE METHODOLOGY WOULD IT THEN BE**  
16 **APPROPRIATE TO USE BELL SOUTH'S SHARED AND COMMON MODULE?**

17  
18 A. No. As I have explained extensively, a Total Service Long Run Incremental Cost  
19 ("TSLRIC") methodology is the appropriate mechanism for analyzing rates for services.  
20 Costs determined by a TSLRIC methodology identify the direct volume sensitive and direct  
21 volume insensitive costs caused by the offering. Any price set above the TSLRIC will ensure  
22 that the service is not being subsidized.

23  
24 BellSouth is a multi-product firm, offering a variety of services with varying levels of  
25 contribution toward overhead cost. This pricing flexibility enables BellSouth to charge

1 economically efficient rates in accordance with marketplace demands for different services.

2 As Dr. Taylor explained in his rebuttal testimony:

3  
4 Because the elasticity of demand varies among services (e.g. payphone to  
5 various non-payphone services), there is *absolutely no economic* support  
6 for the proposition that loadings or markups should be the same or  
7 uniform in every service provided by a LEC. (Taylor Rebuttal Testimony,  
8 Page 18, Lines 10-12)

9  
10 Dr. Taylor also emphasizes that the Federal Communications Commission ("FCC") also  
11 supported this conclusion. BellSouth believes that the price-to-cost ratios contained in Mr.  
12 Sanders' testimony fulfill the requirements set forth by the FCC and meet the "new services"  
13 test.

14  
15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16  
17 A. Yes.

18  
19  
20  
21  
22  
23  
24  
25 232836

AFFIDAVIT

STATE OF: Georgia  
COUNTY OF: Fulton

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared D. Daonne Caldwell –Director – Finance, BellSouth Telecommunications, Inc., who, being by me first duly sworn deposed and said that:

She is appearing as a witness before the Tennessee Regulatory Authority in Docket No. 97-00409 on behalf of BellSouth Telecommunications, Inc., and if present before the Authority and duly sworn, his testimony would be set forth in the annexed testimony consisting of 4 pages and 0 exhibit(s).

D. Daonne Caldwell

D. Daonne Caldwell

Sworn to and subscribed  
before me on 10/20/00

Suzy A Sherwood  
NOTARY PUBLIC



CERTIFICATE OF SERVICE

I hereby certify that on October 20, 2000, a copy of the foregoing document was served on the parties of record, as follows:

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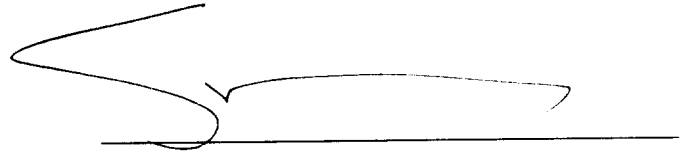
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Guilford Thornton, Esquire  
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A handwritten signature in black ink, appearing to read "Guilford Thornton", is written over a horizontal line. The signature is stylized with a large, sweeping initial "G" and a long, horizontal stroke extending to the right.